

Message Text

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ORIGIN EB-07

INFO OCT-01 EUR-12 ISO-00 FEA-01 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05 L-03 LAB-04
NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04
ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 SIL-01
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DRAFTED BY:EB/OT/TA:RAMEYER
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TREAS:FVUKMANIC
COMMERCE:WMERKIN
EUR/RPE:ECASEY
EB/ORF/ISM:BMILLER
EB:JKATZ

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FM SECSTATE WASHDC
TO USMISSION EC BRUSSELS
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY LONDON
AMEMBASSY LUXEMBOURG
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USMISSION OECD PARIS

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E.O. 11652: N/A

TAGS: ETRD, EEC

SUBJECT: AIDE MEMOIRE ON THE SIMONET PLAN

1. MISSION IS REQUESTED TO PRESENT TO THE COMMISSION

THE FOLLOWING AIDE MEMOIRE ON THE SIMONET PLAN:
BEGIN TEXT: THE UNITED STATES APPRECIATED THE OPPORTUNITY DURING THE CONSULTATIONS IN BRUSSELS ON DECEMBER 2-3, 1976, TO DISCUSS WITH COMMISSION OFFICIALS THE CURRENT SITUATION IN STEEL, PARTICULARLY THE COMMISSION'S PLANS FOR A COMMON STEEL POLICY FOR THE EUROPEAN COMMUNITY (THE SIMONET PLAN). WE HAVE STUDIED THE COMMON STEEL POLICY AND WISH TO BRING TO THE ATTENTION OF THE COMMISSION THOSE ELEMENTS WHICH ARE OF CONCERN TO THE UNITED STATES.

2. WE ARE FIRST CONCERNED OVER THE POSSIBLE IMPACT ON TRADE FLOWS OF THE MEASURES PRESENTLY IN EFFECT. VOLUNTARY RESTRICTIONS ON DOMESTIC DELIVERIES, COMBINED WITH "REASONABLE" BEHAVIOR BY IMPORTERS, MAY LEAD TO DIMINISHED SUPPLY, AND THEREFORE TO ARTIFICIALLY INCREASED PRICES IN THE EC DOMESTIC MARKET AS COMPARED TO THE WORLD MARKET. THIS IN TURN, CREATES THE DANGER THAT THERE WILL BE DUMPING OF STEEL PRODUCED FOR EXPORT OR DIVERTED TO EXPORT MARKETS BY THE RESTRICTIONS ON DOMESTIC DELIVERIES.

3. WE ARE ALSO CONCERNED THAT THE MEASURES NOW IN EFFECT MAY PRESAGE USE OF STRONGER MEASURES. IN THE EVENT DOMESTIC DELIVERY CONTROLS PROVE INSUFFICIENT, THE POLICY PROVIDES FOR THE USE OF INDICATIVE "MINIMUM REFERENCE PRICES" OR, IN A SITUATION OF "MANIFEST CRISIS", MANDATORY MINIMUM PRICES UNDER ARTICLE 61 OF THE PARIS TREATY. USE OF THESE PROVISIONS WOULD CREATE A DIFFERENTIAL BETWEEN INTERNAL LIMITED OFFICIAL USE

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EC AND WORLD PRICES IN AN EVEN MORE DIRECT AND CERTAIN WAY.

4. THE TECHNICAL ANNEX TO THE COMMON STEEL POLICY, ACKNOWLEDGES THAT THIS ELEMENT OF THE POLICY COULD LEAD TO DUMPING OF EC EXPORTS. THE UNITED STATES APPRECIATED THE EXPRESSIONS OF THE COMMISSION'S AWARENESS OF THIS RISK AT THE DECEMBER 2-3, 1976 CONSULTATIONS, AND AS A SIGNIFICANT IMPORTER OF STEEL PRODUCTS FROM THE COMMUNITY, HOPES THAT SUCH A SITUATION WILL NOT DEVELOP.

5. THE POTENTIAL FOR DIVERSION OF STEEL IMPORTS FROM THE COMMUNITY'S MARKET TO THIRD COUNTRY MARKETS IS SIGNIFICANT. THE SUCCESS OF THE COMMON STEEL POLICY IN PERIODS OF RECESSION IN THE EC STEEL INDUSTRY DEPENDS HEAVILY UPON INSULATING THE EC STEEL MARKET FROM LOWER-PRICED IMPORTS. THERE ARE REFERENCES IN THE PROPOSED POLICY TO POSSIBLE CONTACTS BETWEEN THE COMMISSION

AND PRODUCERS IN NON-MEMBER COUNTRIES AND BETWEEN THE COMMISSION AND GOVERNMENTS OF NON-MEMBER PRODUCING COUNTRIES. THESE IMPLY THAT THE EC WOULD SUGGEST REASONABLE QUANTITATIVE AND/OR PRICE BEHAVIOR BY NON-MEMBER PRODUCERS. ALTHOUGH WE NOTE THE STATEMENT THAT "THERE CAN BE NO QUESTION OF THE COMMUNITY JOINING IN ENDEAVORS TO LIMIT WORLD FREE TRADE IN STEEL PRODUCTS," WE REMAIN CONCERNED THAT EVEN INFORMAL SUGGESTIONS BY THE COMMUNITY WITH RESPECT TO QUANTITY AND/OR PRICE BEHAVIOR BY NON-MEMBER PRODUCERS COULD LEAD TO DIVERSION OF STEEL EXPORTS INTENDED FOR THE EC MARKET TO OUR OWN.

6. AS THE UNITED STATES SIDE STATED AT THE DECEMBER 2-3, 1976 CONSULTATIONS WITH THE COMMISSION, THERE IS ALREADY

CONCERN WITHIN THE UNITED STATES OVER THE POTENTIAL

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DISRUPTION OF OUR MARKET RESULTING FROM BILATERAL ARRANGEMENTS BETWEEN OTHER STEEL PRODUCING AND TRADING - - NATIONS. PROLIFERATION OF SUCH ARRANGEMENTS WILL REDUCE THE ABILITY OF ESTABLISHED ORGANS OF THE INTERNATIONAL TRADING SYSTEM (I.E. GATT AND OECD) TO DEAL EFFECTIVELY WITH PROBLEMS ARISING IN VARIOUS SECTORS OF OUR ECONOMIES TO THE ULTIMATE DISADVANTAGE OF ALL COUNTRIES.

WE ARE ALSO CONCERNED THAT IMPLEMENTATION OF THE CRISIS PROVISIONS OF THE COMMUNITY'S PROPOSED POLICY, ESPECIALLY IF COMBINED WITH SUCH BILATERAL ARRANGEMENTS, WILL INCREASE DOMESTIC PRESSURES FOR PROTECTION WITHIN THE UNITED STATES.

7. THE CURRENT PROBLEMS OF THE EC STEEL INDUSTRY AND OTHER STEEL INDUSTRIES ARE NOT UNIQUE AND ARE LIKELY TO REOCCUR PERIODICALLY IN THE FUTURE. ANY ACTIONS TAKEN IN RESPONSE TO THESE PROBLEMS THAT INFLUENCE TRADE ARE CLEARLY A MATTER OF BROADER INTERNATIONAL CONCERN. AS MAJOR STEEL PRODUCTION CAPABILITIES WILL SPREAD TO OTHER COUNTRIES, THESE COUNTRIES WILL EXPERIENCE THE SAME TYPES OF CYCLICAL PROBLEMS NOW FACED BY THE EC, JAPAN, AND THE UNITED STATES. IT IS NOT TOO EARLY TO BEGIN CONSIDERING ON AN INTERNATIONAL LEVEL HOW THESE PROBLEMS SHOULD BE HANDLED SO AS TO MINIMIZE DISTORTIONS IN INTERNATIONAL STEEL TRADE. END TEXT. KISSINGER

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Message Attributes

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Sent Date: 07-Jan-1977 12:00:00 am
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